

# E-commerce offers opportunities for young SMMES, niche players

As the world of e-commerce grows in South Africa, PayGate CEO Peter Harvey sees growth coming from young start-ups and innovation from niche players in 2015.



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"Five years ago we'd load 10 start-ups onto our payment gateway for every established business; now the ratio is more like 100 to one," says Harvey. "The sluggish job market in traditional corporates is driving a lot of young people to start their own businesses. They have little to lose, so even when 60% of these new businesses fail they are able to adapt and try something else. Things move fast in this market and we can't predict who the successes will be, but overall about 10% of them do really well."

Harvey says this rapid growth is partly driven by lower barriers to entry and faster time to market. "Services like the company's PCS mean it is no longer necessary to get a merchant account from a bank before you can sell online and we're putting a lot of effort into supporting the developer community that's a crucial enabler."

## Innovation driven by experienced niche operators

As new entrants work to gain a foothold, he predicts most of the innovation will come from established niche players including specialist online retailers, airlines, ticketing companies and travel and tourism players. "These are players who've been around for a while, who understand their markets, know how to manage risk and are investing strategically. We're seeing continued demand from these players for more payment methods to offer their customers as they expand into markets where credit cards aren't common - they need to be able to accept debit cards, international payments like PayPal and cash alternatives."

The growth of e-commerce will also drive further growth and innovation in logistics and distribution. "Increasingly, the Post Office is not a viable partner, so distribution is going to be an interesting space to watch. This week's R20m investment in WantItAll.co.za logistics startup, Parcelninja is probably just the start."

Across the board, regulatory compliance and risk management will continue to be a key factor. "Banks, merchants and customers all need to manage the risks of fraud, and it's a complex business. If e-commerce is to carry on growing, payment service providers like PayGate need to take the lead in reducing this complexity and offering easy, affordable fraud protection services," concludes Harvey.

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